

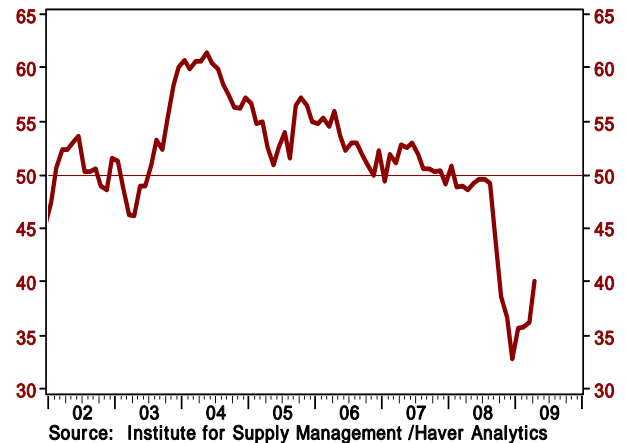
# APRIL ISM MANUFACTURING INDEX

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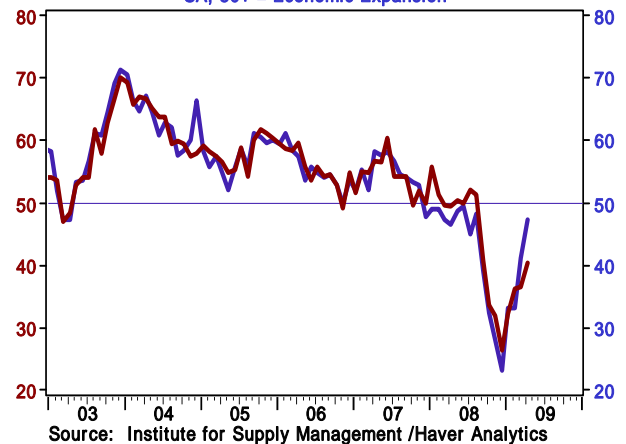
- The ISM Manufacturing index increased to 40.1 in April from 36.3 in March. The consensus had expected a smaller increase to 38.4. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The output components of the overall index all improved. The new orders index increased to 47.2 from 41.2, the production index increased to 40.4 from 36.4, the employment index increased to 34.4 from 28.1, and the supplier deliveries index increased to 44.9 from 43.6.
- The prices paid index increased to 32.0 from 31.0 in March.

**Implications:** The ISM manufacturing index increased substantially in April, exceeding consensus expectations for the fourth consecutive month. The rise in the index shows that the contraction in the manufacturing sector is rapidly losing steam and the overall economy is on the verge of an economic recovery. Typically, the overall economy is expanding once the ISM index gets above 41.2, which is where we expect it to be in May. Most significantly, the rise in the ISM index is being led by increases in the new orders component, which so far this year is up at the fastest rate since the economic recovery in late 1980. The prices paid index continues to increase as well, showing the threat of deflation is also diminishing. In other news this morning, the University of Michigan’s consumer sentiment index increased to 65.1 in April from 57.3 in March, supporting our view that the increase in consumer spending in the first quarter will continue. Usually, measures of consumer confidence do not provide much information about the direction of spending. However, in the aftermath of a financial panic where consumers became acutely risk averse, these surveys take on much more importance than usual.

ISM Manufacturing Index  
SA, 50+ = Econ Expand



ISM Mfg: Production Index  
SA, 50+ = Economic Expansion  
ISM Mfg: New Orders Index  
SA, 50+ = Economic Expansion



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Apr-09	Mar-09	Feb-09	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>40.1</b>	36.3	35.8	37.4	36.2	48.6
<b>New Orders</b>	<b>47.2</b>	41.2	33.1	40.5	34.3	46.4
<b>Production</b>	<b>40.4</b>	36.4	36.3	37.7	33.9	49.3
<b>Inventories</b>	<b>33.6</b>	32.2	37.0	34.3	36.7	47.8
<b>Employment</b>	<b>34.4</b>	28.1	26.1	29.5	30.5	45.8
<b>Supplier Deliveries</b>	<b>44.9</b>	43.6	46.7	45.1	45.8	53.8
<b>Order Backlog (NSA)</b>	<b>40.5</b>	35.5	31.0	35.7	31.1	51.5
<b>Prices Paid (NSA)</b>	<b>32.0</b>	31.0	29.0	30.7	27.4	84.5
<b>New Export Orders</b>	<b>44.0</b>	39.0	37.5	40.2	39.1	57.5

Source: National Association of Purchasing Management